



**Washington State
Health Care Authority**

Public Employees Benefits Board

July 10, 2007 Meeting



PEBB Board Meeting

July 10, 2007

1:00-3:00 p.m.

Thurston County Fairgrounds Expo Center

3054 Carpenter Road SE

Lacey, Washington

Conference call dial in: 360-923-2996, code 360-946-1464

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AGENDA

Public Employees Benefits Board

July 10, 2007

Thurston County Fairgrounds Expo Center
3054 Carpenter Road SE, Lacey
Conference call dial-in 360-923-2996, code 360-946-1464

noon – 1:00 p.m.

Working Lunch

1:00 p.m. – 3:00 p.m.

Board Meeting

Call to Order	Steve Hill	
Welcome and Introductions	Steve Hill	
Approval of Minutes	Steve Hill	Action
PEBB Procurement Summary and Recommendations	Barney Speight Elin Meyer	Information
Public Comment	Steve Hill	
Adjournment	Steve Hill	

The Public Employees Benefits Board will meet Tuesday, July 10, 2007, at the Thurston County Fairgrounds Expo Center, Lacey, Washington. The board will consider all matters on the agenda plus any items that may normally come before them.

This notice is pursuant to the requirements of the Open Public Meetings Act, Chapter 42.30 RCW.

PEBB Board Members

Name	Representing
Steve Hill, Administrator Health Care Authority 676 Woodland Square Loop SE PO Box 42700 Olympia WA 98504-2700 V 360-923-2828 steve.hill@hca.wa.gov	Chair
Greg Devereux, Executive Director Washington Federation of State Employees 1212 Jefferson Street, Suite 300 Olympia WA 98501 V 360-352-7603 greg@wfse.org	State Employees
Lee Ann Prielipp 29322 6 th Avenue Southwest Federal Way WA 98023 V 253-839-9753 leeannwa@comcast.net	K-12 Retirees
Robert Porterfield 10423 – 65 th Avenue South Seattle WA 98178 V 206-722-8194 robertporterfield@comcast.net	State Retirees
Dr. Penny Palmer 123 East Indiana Spokane WA 99207 V 509-389-4229 pennypalmer@msn.com	Benefits Management/Cost Containment
Eva Santos, Director Department of Personnel PO Box 47500 Olympia WA 98504-7500 V 360-664-6350 evas@dop.wa.gov	Benefits Management/Cost Containment

PEBB Board Members

Name	Representing
Vacant position*	K-12
Margaret T. Stanley Executive Director Puget Sound Health Alliance 2003 Western Ave, Suite 600 Seattle WA 98121 V 206-448-2570 mtstanley@pugetsoundhealthalliance.org	Benefits Management/Cost Containment
Yvonne Tate, Director* Human Resources City of Bellevue PO Box 90012 Bellevue WA 98009-9012 V 425-452-4066 ytate@ci.bellevue.wa.us	Benefits Management/Cost Containment
Legal Counsel Melissa Burke-Cain, Assistant Attorney General 7141 Cleanwater Dr SW PO Box 40109 Olympia WA 98504-0109 V 360-586-6500 melissab@atg.wa.gov	

*non voting members



D*R*A*F*T
Public Employees Benefits Board
Meeting Minutes

May 23, 2007
Health Care Authority
676 Woodland Square Loop SE
Lacey, WA
1:00 p.m.

Members Present:

Steve Hill
Greg Devereux
Penny Palmer
Lee Ann Prielipp
Robert Porterfield
Eva Santos
Margaret Stanley
Yvonne Tate

Members Absent:

none

Call to Order

Steve Hill, Chair, called the meeting to order at 1:00 p.m. Sufficient members were present to allow a quorum.

Approval of April 17, 2007, PEBB Meeting Minutes

Chair Hill proposed an amendment to the previously-approved February 13, 2007, PEBB Board meeting minutes as follows:

- On page two of the minutes, change the motion to read, "it was moved, seconded, and carried that the board approve the attached resolution", and strike the text below it.
- Rename the "HCA Proposal to the PEBB Board" document to, "Resolution",

It was moved, seconded, and carried to amend the February 13, 2007, PEBB Board meeting minutes as outlined above. It was moved, seconded, and carried to adopt the April 17, 2007 PEBB Board meeting minutes.

Legislative Update

Richard Onizuka, Health Care Authority, gave an overview of bills that were of interest to the Health Care Authority and PEBB Board and that passed during the recent legislative session. Megan Atkinson, Health Care Authority, provided a high level review of the Health Care Authority's budget. Ms. Atkinson noted that language has been included that may potentially preclude the board from making changes during the 2007-2009 biennium to any benefit plans offered to enrollees that increase the net actuarial cost of the plans as compared to the same or most similar plans offered in calendar year 2007. The Governor has already vetoed Section



949 and Health Care Authority staff will be meeting with staff from the Office of Financial Management to seek clarity on the two remaining sentence fragments in sections 910 and 911.

Annual Rule Making Update

Barbara Scott, PEBB, gave a presentation on proposed annual rule making changes. These changes do not require board approval and were presented as information only. The changes are necessary due to legislation passed last session and include:

- Creation of a state domestic partner registry within the Office of the Secretary of State
- Washington State Patrol survivors' benefits
- Changes to PEBB employee eligibility for part-time academic employees of community and technical colleges.

In addition, technical changes and corrections of inconsistencies will also be addressed to enhance the overall clarity of the rules.

Chair Hill invited comment from the Board regarding board meeting structure and content.

A discussion of upcoming meeting dates ensued and it was decided to cancel the June 27, 2007, PEBB Board meeting. There will be a public meeting on July 10, 2007, as well as a meeting on July 17, 2007, which may take place via telephone.

The meeting was adjourned.

Respectfully submitted,

Steve Hill, Chair

Public Employees Benefits Board

2008 Procurement

July 10, 2007

Washington State Health Care Authority

Agenda

- Overview
 - Purchasing Goals
 - 2008 Medical & Dental Portfolio
- Medical Procurement
 - Active Employee and Early Retiree Procurement Summary
 - Medicare Procurement Summary
- Dental Procurement Summary
- Next Steps

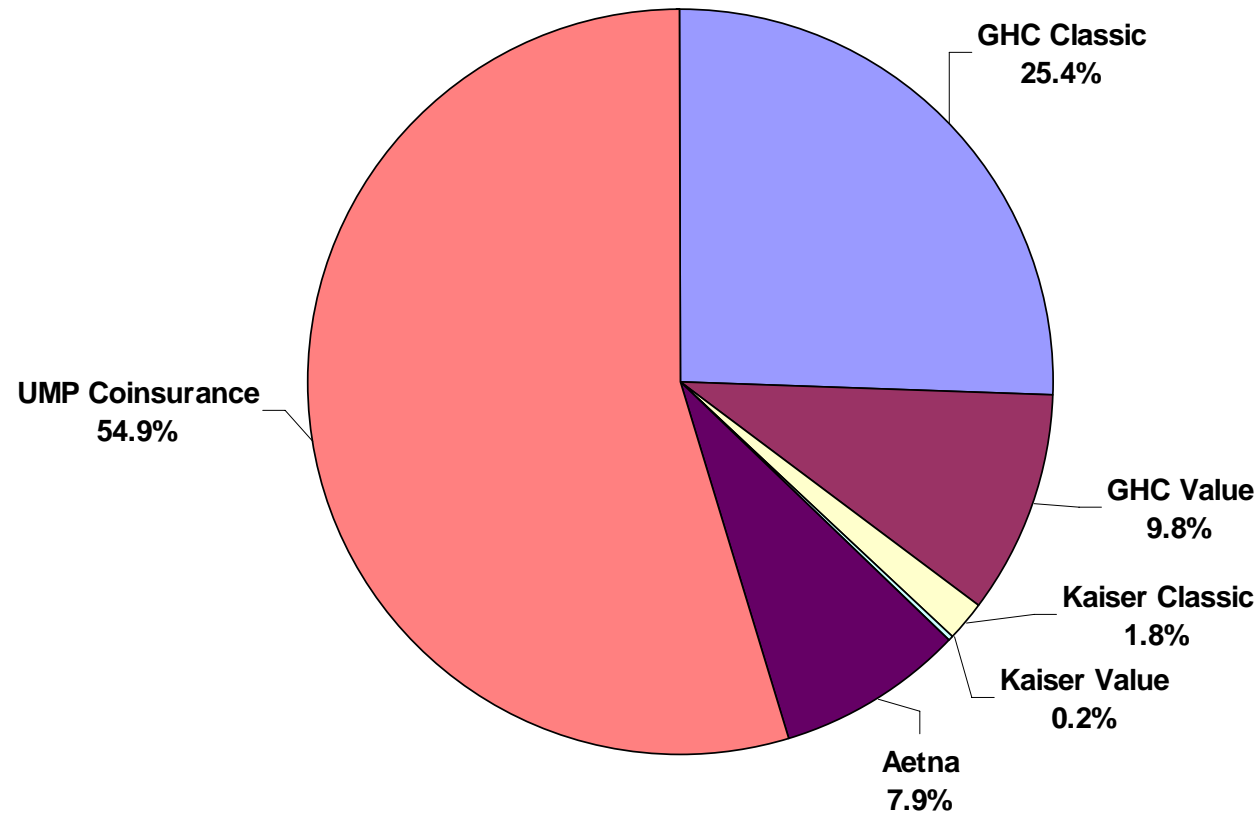
2008 Purchasing Goals

- Maintain benefits that compare well with other high quality State of Washington employers (public and private)
- Design benefits that encourage enrollees to:
 - Improve their health
 - Seek higher quality and more efficient care
- Manage within fiscal limits set by the Legislature
- Improve access to affordable choice of health plans for employees and retirees
- Improve management of underlying cost trends

2008 PEBB Health Plan Portfolio

Active & Early Retirees	Medicare Retirees
Group Health Cooperative Classic & Value	Group Health Cooperative Classic & Value
Kaiser Classic & Value	Kaiser Classic & Value
Aetna Public Employee Health Plan of Washington <i>(New self-insured copayment plan)</i>	Aetna Public Employee Health Plan of Washington <i>(New self-insured copayment plan)</i>
UMP PPO	UMP PPO
	PacifiCare Secure Horizons Classic & Value
	Premera Medicare Supplement Plans E and J
Uniform Dental, DeltaCare & Willamette Dental	Uniform Dental, DeltaCare & Willamette Dental

2008 Active Enrollment Projections



Active Employee and Early Retiree Medical Procurement Summary

2008 Active and Early Retiree (Non-Medicare) Medical Procurement Budget Overview

Product Line	Budgeted Non-Medicare Premium Increase	Non-Medicare Premium Increase Final Bids	Premium Increase With Alternatives	Variance
Managed Care Organizations (MCOs)	10.0%	4.8%	5.2%	-4.8%
Aetna ¹ (new 1/1/08)	4.4%	-3.8%	-3.3%	-7.7%
Uniform Medical Plan	6.0%	2.3%	2.8%	-3.2%
MCOs and UMP	7.3%	2.5%	3.0%	-4.3%
¹ PEBB Copay (Aetna) Budget Increase Measured from Weighted Average of CHPWA & Regence in 2007 Conference Budget 2.3 Legislative Model				

Note: Composites reflect impact of enrollment shifting assumptions

Medical Benefit Alternatives Under Consideration

Covered Service	Current Benefit	Alternative
Mental Health <i>(Parity required by 2010)</i>	Outpatient: 20 visits Inpatient: 10 days	Outpatient: 50 visits Inpatient: Full Parity
Lifetime Maximum	\$2 Million	No Lifetime Maximum

Cost of Active and Early Retiree Benefit Alternatives

Plan Name	2007 Bid Rate	2008 Bid Rate	Percent Increase 2007 to 2008 BEFORE Alternatives	No Lifetime Maximum	Mental Health Outpatient: 50 visits Inpatient: Full Parity	Percent Increase 2007 to 2008 AFTER Alternatives
Group Health Classic	\$ 420.14	\$ 441.49	5.1%	\$ 0.16	\$ 1.80	5.5%
Group Health Value	\$ 375.92	\$ 387.06	3.0%	\$ 0.14	\$ 1.55	3.4%
Kaiser Classic	\$ 432.69	\$ 470.43	8.7%	\$ -	\$ -	8.7%
Kaiser Value	\$ 393.87	\$ 427.71	8.6%	\$ -	\$ -	8.6%
Aetna ¹	\$ 489.14	\$ 470.66	-3.8%	\$ 0.19	\$ 2.03	-3.3%
Uniform Medical Plan	\$ 386.55	\$ 395.48	2.3%	\$ 0.16	\$ 1.68	2.8%
Estimated Annual Impact				\$420,038	\$4,518,280	

¹Aetna's 2007 rates represent a weighted average of CHPW and Regence in 2007.

Active Contributions with Benefit Alternatives¹

<u>Plan Name</u>	Employee Contribution by Family Tier 2007 and Proposed 2008							
	1st Tier		2nd Tier		3rd Tier		4th Tier	
	CY 2007	CY 2008	CY 2007	CY 2008	CY 2007	CY 2008	CY 2007	CY 2008
	Subscriber	Subscriber	Sub. & Spouse	Sub. & Spouse	Sub. & Child(ren)	Sub. & Child(ren)	Full Family	Full Family
GHC Classic	\$ 57	\$ 74	\$ 124	\$ 158	\$ 100	\$ 130	\$ 167	\$ 214
GHC Value	\$ 13	\$ 20	\$ 36	\$ 50	\$ 23	\$ 35	\$ 46	\$ 65
Kaiser Classic	\$ 70	\$ 101	\$ 149	\$ 212	\$ 122	\$ 177	\$ 202	\$ 288
Kaiser Value	\$ 31	\$ 59	\$ 72	\$ 128	\$ 54	\$ 103	\$ 95	\$ 172
Aetna ²	\$ 126	\$ 104	\$ 262	\$ 218	\$ 221	\$ 182	\$ 357	\$ 296
Uniform Medical Plan	\$ 24	\$ 28	\$ 57	\$ 66	\$ 41	\$ 49	\$ 75	\$ 87
Average Employee Contribution								\$ 83
Average % Employee Contribution of Required Premium								12%
Budget Assumption								12%

¹Benefit Alternatives: No lifetime maximum, Mental Health full parity for inpatient & 50 visits outpatient.

²Aetna's 2007 rates represent a weighted average of CHPW and Regence in 2007.

Estimated Early Retiree Contributions with Benefit Alternatives

<u>Plan Name</u>	2007 and Proposed 2008							
	1st Tier		2nd Tier		3rd Tier		4th Tier	
	CY 2007	CY 2008	CY 2007	CY 2008	CY 2007	CY 2008	CY 2007	CY 2008
	Subscriber	Subscriber	Sub. & Spouse	Sub. & Spouse	Sub. & Child(ren)	Sub. & Child(ren)	Full Family	Full Family
GHC Classic	\$ 427.37	\$ 454.89	\$ 847.51	\$ 898.34	\$ 742.48	\$ 787.48	\$ 1,162.62	\$ 1,230.93
GHC Value	\$ 383.15	\$ 400.19	\$ 759.07	\$ 788.94	\$ 665.09	\$ 691.75	\$ 1,041.01	\$ 1,080.50
Kaiser Classic	\$ 439.92	\$ 481.87	\$ 872.61	\$ 952.30	\$ 764.44	\$ 834.69	\$ 1,197.13	\$ 1,305.12
Kaiser Value	\$ 401.10	\$ 439.15	\$ 794.97	\$ 866.86	\$ 696.50	\$ 759.93	\$ 1,090.37	\$ 1,187.64
Aetna ¹	\$ 489.14	\$ 484.32	\$ 971.04	\$ 957.20	\$ 850.57	\$ 838.98	\$ 1,332.47	\$ 1,311.86
Uniform Medical Plan	\$ 393.78	\$ 408.76	\$ 780.33	\$ 806.08	\$ 683.69	\$ 706.75	\$ 1,070.24	\$ 1,104.07

¹Aetna's 2007 rates represent a weighted average of CHPW and Regence in 2007.

Medicare Retiree Purchasing Summary

2008 Medicare Medical Budget Overview

Medicare	Medicare Budget Increase	Medicare Bid Increase Without Benefit Alternatives	Medicare Bid Increase With Benefit Alternatives	Variance
Managed Care Organizations (MCOs)	12.5%	-2.2%	-2.1%	-14.6%
Aetna ¹	4.2%	-19.3%	-19.2%	-23.4%
UMP	6.6%	-1.5%	-1.3%	-7.9%
Medicare Supplements	12.5%	4.5%	4.5%	-8.0%
Medicare Total	9.1%	-1.6%	-1.6%	-10.6%

¹Aetna Budget is a weighted average of CHPWA & Regence projected budget increase.

Medicare Medical Benefit Alternatives Under Consideration

Covered Service	Current Benefit	Alternative
Mental Health <i>(Parity required by 2010)</i>	Outpatient: 20 visits Inpatient: 10 days	Outpatient: 50 visits Inpatient: Full Parity
Lifetime Maximum	\$2 Million	No Lifetime Maximum
Group Health Medicare Advantage Value Plan <i>(Value Design Modified)</i>	Out-of-Pocket Maximum: \$1000 Inpatient Hospital: \$100/day; \$300 Admit Max; \$600 Yr Max Ambulance: \$75 Out Patient surgery: \$100 Office Visit Copay: \$15	\$1000 \$200 day up to 5 days \$150 \$200 \$20

Cost of Medicare Benefit Alternatives

Plan Name	2007 Bid Rate	2008 Bid Rate	Percent Increase 2007 to 2008 BEFORE Alternatives	No Lifetime Maximum	Mental Health Outpatient: 50 visits Inpatient: Full Parity	Percent Increase 2007 to 2008 AFTER Alternatives
Group Health Classic	\$ 321.89	\$ 299.68	-6.9%	\$ -		-6.9%
Group Health Value ¹	\$ 289.85	\$ 263.76	-9.0%	\$ -		-9.0%
Kaiser Classic	\$ 299.44	\$ 323.70	8.1%	\$ -		8.1%
Kaiser Value	\$ 227.87	\$ 256.80	12.7%	\$ -		12.7%
Secure Horizons Classic	\$ 317.95	\$ 352.11	10.7%	\$ 0.51		10.9%
Secure Horizons Value	\$ 242.36	\$ 271.05	11.8%	\$ 0.51		12.0%
Aetna ²	\$ 476.57	\$ 384.75	-19.3%	\$ -	\$ 0.51	-19.2%
Uniform Medical Plan	\$ 328.77	\$ 323.89	-1.5%	\$ -	\$ 0.50	-1.3%

¹Group Health Value's Bid Rate based on Modified Plan Design. 2007 benefit design will not be available 1/1/08.

²Aetna's 2007 rates represent a weighted average of CHPW and Regence in 2007.

Estimated Medicare Retiree Premium After \$164.08 Subsidy

Plan Name	2007 First Tier Retiree Pays	2008 Estimated First Tier Retiree Pays (Without Enhancements)	2008 Estimated First Tier Retiree Pays (With Enhancements)
Group Health Coop Classic	\$ 179.45	\$ 161.28	\$ 161.28
Group Health Coop Value	\$ 152.15	\$ 143.32	\$ 143.32
Kaiser Classic	\$ 157.00	\$ 173.29	\$ 173.29
Kaiser Value	\$ 121.16	\$ 139.84	\$ 139.84
Secure Horizons Classic	\$ 175.51	\$ 199.47	\$ 199.98
Secure Horizons Value	\$ 128.41	\$ 146.97	\$ 147.22
Aetna ¹	\$ 334.13	\$ 232.11	\$ 232.62
Uniform Medical Plan	\$ 186.33	\$ 173.39	\$ 173.64
Medicare E Retired	\$ 68.29	\$ 77.56	N/A
Medicare E Disability	\$ 111.03	\$ 123.84	N/A
Medicare J Retired w/o RX	\$ 88.93	\$ 101.33	N/A
Medicare J Disabled w/o Rx	\$ 146.11	\$ 164.25	N/A
Medicare J Retired w/Rx	\$ 143.84	\$ 144.93	N/A
Medicare J Disabled w/Rx	\$ 322.03	\$ 301.22	N/A

¹Aetna's 2007 rates represent a weighted average of CHPW and Regence in 2007.

Dental Purchasing Summary

Dental Procurement Bid Rate Overview

Plan	Budget Increase	Bid Increase Without Benefit Alternatives	Bid Increase with Benefit Alternatives	Budget Variance with Benefit Alternatives
Willamette	5.0%	-8.9%	-11.6%	-16.7%
DeltaCare	5.0%	0.2%	0.3%	-4.7%
Uniform Dental Plan (UDP)	2.9%	1.2%	3.7%	0.8%
Composite Dental	3.3%	-0.2%	1.6%	-1.7%
Annualized Cost	\$130,731,000	\$126,376,000	\$128,555,000	

Premium Cost:

- Dental Plan Fully Paid by State For Actives and Dependents
- Premiums Self-Paid By Early Retirees & Medicare Retirees

Dental Benefit Alternatives

Under Consideration

Covered Service	Current Benefit	Alternative
Managed Dental Services	Differs by Managed Dental Carrier	Standard Benefit Design
Managed Dental Orthodontia**	Willamette: \$1200 copay DeltaCare: \$1500 copay	\$2000 copay
Uniform Dental Annual Maximum and Plan Payment Towards Orthodontia	Annual Maximum: \$1500 Orthodontia Max: \$1500 <i>(Member pays avg. \$3820)</i>	\$1750 \$1750 <i>(Consideration based on assumed savings from implementing all Managed Dental alternatives)</i>

***Crown & Bridge Market Comparison:**

Market Costs: \$800 - \$1000; Uniform Dental Member Costs: \$399-\$475 coinsurance; PEBB Managed Dental Member Costs: \$120 - \$175 copay; PEBB Oregon Member Costs: \$190 copay (Willamette)

****Orthodontia Market Comparison:**

Market Costs: \$5500 - \$7500; Uniform Dental Member Costs: \$3820 average (UDP pays 50% to \$1500); Thurston, Lewis and Mason County: \$2500 copay; Boeing: \$2000 copay; WEA: Orthodontia not covered in "basic" contract, but districts may purchase orthodontia rider, e.g. WEA Tacoma administers \$2,000 orthodontia copay

Premium Impact of Benefit Alternatives

Plan Name	2007 Active Bid Rate	2008 Bid Rate¹ (current benefit)	Percent Increase 2007 to 2008 BEFORE Alternatives	Managed Dental Standard Benefit/ Copay Schedule	Managed Dental Increase Orthodontia Copay to \$2000	UDP Increase Annual Max & Ortho Lifetime Plan Payment Max to \$1750	2008 Subscriber Rate WITH All Benefit Alternatives
DeltaCare 18,159 Members	\$ 33.36	\$ 33.44	0.2%	\$ 35.19	\$ 33.46	N/A	\$ 33.46
Willamette ¹ 40,659 Members	\$ 39.70	\$ 36.15	-8.9%	\$ 35.20	\$ 35.06	N/A	\$ 35.06
Uniform Dental Plan 250,898 Members	\$ 38.59	\$ 39.04	1.2%	N/A	N/A	\$ 40.01	\$ 40.01

¹2008 Willamette Retiree Rate With Alternatives: \$40.82

Next Steps

Board Action For July 17

HCA will recommend Board approval for the Retiree Subsidy and the following Benefit Alternatives:

- Medical:

1. No lifetime maximum
2. Mental Health:
 - Outpatient: 50 Visits
 - Inpatient: Full Parity

- Managed Dental:

3. Standard Copayment Benefit Design For Most Clinical Services
4. \$2,000 Orthodontia Copayment

- Uniform Dental (UDP)

UDP benefit alternative contingent on premium savings achieved by Board approval of all Managed Dental Benefit Alternatives

5. \$1750 Uniform Dental Orthodontia Lifetime Plan Payment and \$1750 Annual Maximum

PEBB Meeting Schedule 2007

Working Lunch or Executive Session:
Public Meeting:

11:15 a.m. - 12:45 p.m.
1:00 p.m. - 3:00 p.m.

Proposed Dates:

January 16, 2007

February 13, 2007

March 13, 2007

April 17, 2007

May 23, 2007

June 27, 2007

July 10, 2007

July 17, 2007

**July 24, 2007*

October 16, 2007 – Board Retreat

**tentative meeting dates during procurement*